

BOYER VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Boyer Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2005 election)</b>		
Ken Dunham	President	2006
Theresa McAllister	Vice President	2005
Doug Head	Board Member	2005
Randy Mitchell	Board Member	2006
Steve Puck	Board Member	2007
Paul Klien	Board Member	2007
Pat Putnam	Board Member	2007
<b>Board of Education</b>		
<b>(After September 2005 election)</b>		
Ken Dunham	President	2006
Pat Putnam	Vice President	2007
Doug Head	Board Member	2008
Randy Mitchell	Board Member	2006
Steve Puck	Board Member	2007
Paul Klien	Board Member	2007
Dana Sturgill	Board Member	2008
<b>School Officials</b>		
Debra Johnson	Superintendent	2006
Sharon Lee	District Secretary/Treasurer	2006
Mundt, Franck & Schumacher	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Boyer Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyer Valley Community School District, Dunlap, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyer Valley Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2006 on our consideration of the Boyer Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of those report are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those report are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Boyer Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" followed by a stylized flourish or initials.

NOLTE, CORNMAN & JOHNSON, P.C.

August 21, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Boyer Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,414,870 in fiscal 2005 to \$4,262,528 in fiscal 2006, while General Fund expenditures decreased from \$4,450,960 in fiscal 2005 to \$4,212,233 in fiscal 2006. This resulted in a increase in the District's General Fund balance from \$158,877 in fiscal 2005 to a balance of \$220,594 in fiscal 2006, an 38.84% increase from the prior year.
- The decrease in General Fund revenues was attributable to having no transfer from Capital projects. The decrease in expenditures was primarily due to a drop in amount spent in special instructions.
- The District's September 2005 enrollment declined compared to the previous year. The certified enrollment was 501.6, a decrease of 4.0 students.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Boyer Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Boyer Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Boyer Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Boyer Valley Community School District Annual Financial Report***

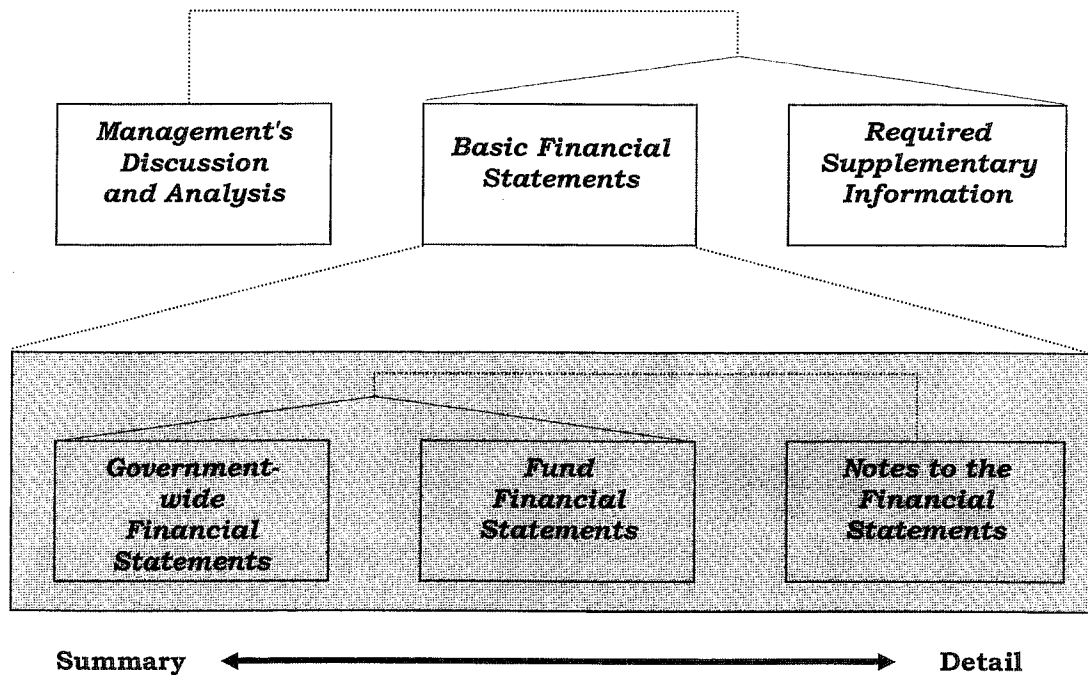


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 3,891,465	4,128,900	26,701	9,151	3,918,166	4,138,051	-5.31%
Capital assets	7,131,635	7,069,148	73,042	83,985	7,204,677	7,153,133	0.72%
Total assets	11,023,100	11,198,048	99,743	93,136	11,122,843	11,291,184	-1.49%
Long-term obligations	5,382,504	5,676,521	0	0	5,382,504	5,676,521	-5.18%
Other liabilities	2,960,419	3,447,638	42,469	37,021	3,002,888	3,484,659	-13.83%
Total liabilities	8,342,923	9,124,159	42,469	37,021	8,385,392	9,161,180	-8.47%
Net assets:							
Invested in capital assets, net of related debt	2,342,819	1,851,564	73,042	83,985	2,415,861	1,935,549	24.82%
Restricted	100,123	108,448	0	0	100,123	108,448	-7.68%
Unrestricted	237,235	113,877	(15,768)	(27,870)	221,467	86,007	157.50%
Total net assets	\$ 2,680,177	2,073,889	57,274	56,115	2,737,451	2,130,004	28.52%

The District's combined net assets increased by 28.52%, or \$607,447, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$8,325, or 7.68% over the prior year. The decrease was primarily a result of the spending of prior year restricted grants and fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$135,460, or 157.5%. This increase in unrestricted net assets was a result of the District's increase in the General fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 and June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 452,908	500,737	182,983	95,632	635,891	596,369	6.63%
Operating grants and contributions and restricted interest	723,852	780,597	124,742	113,491	848,594	894,088	-5.09%
Capital grants and contributions and restricted interest	0	755,090	0	0	0	755,090	-100.00%
General revenues:							
Property tax	1,961,347	1,937,658	0	0	1,961,347	1,937,658	1.22%
Local option sales and services tax	178,736	256,488	0	0	178,736	256,488	-30.31%
Unrestricted state grants	1,954,333	1,846,982	0	0	1,954,333	1,846,982	5.81%
Unrestricted investment earnings	76,076	20,553	168	90	76,244	20,643	269.35%
Other revenue	63,627	0	0	0	63,627	0	100.00%
Total revenues	5,410,879	6,098,105	307,893	209,213	5,718,772	6,307,318	-9.33%
Program expenses:							
Governmental activities:							
Instructional	2,859,378	3,017,774	0	0	2,859,378	3,017,774	-5.25%
Support services	1,380,168	1,411,652	0	0	1,380,168	1,411,652	-2.23%
Non-instructional programs	4,779	2,270	304,469	236,961	309,248	239,231	29.27%
Other expenses	560,266	501,732	0	0	560,266	501,732	11.67%
Total expenses	4,804,591	4,933,428	304,469	236,961	5,109,060	5,170,389	-1.19%
Changes in net assets before other financing sources, net	606,288	1,164,677	3,424	(27,748)	609,712	1,136,929	46.37%
Other financing sources(uses), net	0	0	(2,265)	44,721	(2,265)	44,721	-105.06%
Changes in net assets before extraordinary items	606,288	1,164,677	1,159	16,973	607,447	1,181,650	48.59%
Extraordinary items:							
Reorganization settlement	0	39,004	0	26	0	39,030	100.00%
Changes in net assets	606,288	1,203,681	1,159	16,999	607,447	1,220,680	50.24%
Beginning net assets	2,073,889	870,208	56,115	39,116	2,130,004	909,324	134.24%
Ending net assets	\$ 2,680,177	2,073,889	57,274	56,115	2,737,451	2,130,004	28.52%

Property tax, local option sales and services tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

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## Governmental Activities

Revenues for governmental activities were \$5,410,879 and expenses were \$4,804,591.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,859,378	1,834,583
Support services	1,380,168	1,380,168
Non-instructional programs	4,779	4,779
Other expenses	560,266	408,301
Totals	<u>\$ 4,804,591</u>	<u>3,627,831</u>

- The cost financed by users of the District's programs was \$452,908.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$723,852.
- The net cost of governmental activities was financed with \$1,961,347 in property tax, \$178,736 in local option sales and services tax, \$1,954,333 in unrestricted state grants, \$76,076 in interest income, and \$63,627 in other general revenue.

## Business-Type Activities

Revenues of the District's business-type activities were \$307,893 and expenses were \$304,469. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Boyer Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$778,739, above last year's ending fund balances of a \$558,091.

## Governmental Fund Highlights

- The District's improved General Fund financial position from \$158,877 to \$220,594 is the product of many factors:
  - Decreases in open enrollment tuition, other local sources and federal grants during the year were offset by a decrease in special instruction costs lowering instruction expenditures.
- The Capital Projects Fund balance increased from \$252,263 in fiscal 2005 to \$429,200 in fiscal 2006. The District had less construction expenditures than they received in local and state sources resulting in a \$176,937 increase.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$89,402 at June 30, 2005 to \$92,683 at June 30, 2006, representing an increase of 3.66%. The Day Care Fund net assets decreased from a deficit \$33,287 at June 30, 2005 to a deficit \$35,409 at June 30, 2006, representing an decrease of 6.37%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Boyer Valley Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$1,308,551 less than budgeted revenues, a variance of 18.68%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$7.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$173,640.

The original cost of the District's capital assets was \$9.2 million. Governmental funds account for \$9.0 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$268,698 at June 30, 2006, compared to \$266,728 reported at June 30, 2005. This increase resulted from a purchase of \$157,628 worth of machinery and equipment before depreciation.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 1,100	1,100	0	0	1,100	1,100	0.00%
Construction in progress	2,700,241	2,650,226	0	0	2,700,241	2,650,226	1.85%
Buildings	4,067,535	4,148,979	0	0	4,067,535	4,148,979	-2.00%
Land improvements	94,061	86,100	0	0	94,061	86,100	8.46%
Machinery and equipment	268,698	182,743	73,042	83,985	341,740	266,728	21.95%
Total	\$ 7,131,635	7,069,148	73,042	83,985	7,204,677	7,153,133	0.72%

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## Long-Term Debt

At June 30, 2006, the District had \$5,382,504 in general and other long-term debt outstanding. This represents a decrease of 5.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$5,095,000 at June 30, 2006.

The District had total outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$100,000 at June 30, 2006.

The District had total outstanding City Note payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$87,608 at June 30, 2006.

The District had total outstanding Bus Lease payable from the Capital Projects Fund of \$23,743 at June 30, 2006.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Funds of \$76,153 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General Obligation Bonds	\$ 5,095,000	5,300,000	-3.9%
Capital Loan Notes	100,000	150,000	100.0%
City Note	87,608	98,726	-11.3%
Bus Lease	23,743	31,061	-23.6%
Early Retirement	76,153	96,735	-21.3%
Totals	<u>\$ 5,382,504</u>	<u>5,676,522</u>	<u>-5.2%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Lee, Board Secretary, Boyer Valley Community School District, 1102 Iowa Avenue, Dunlap, Iowa, 51529.

BASIC FINANCIAL STATEMENTS



BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,138,848	0	1,138,848
Other	645,414	12,937	658,351
Receivables:			
Property tax:			
Delinquent	31,883	0	31,883
Succeeding year	1,755,447	0	1,755,447
Income surtax	192,570	0	192,570
Accounts	656	5,698	6,354
Accrued ISCAP interest(Note 4)	10,300	0	10,300
Due from other governments	114,414	0	114,414
Prepaid Expense	1,933	0	1,933
Inventories	0	8,066	8,066
Capital assets, net of accumulated depreciation(Note 5)	7,131,635	73,042	7,204,677
<b>TOTAL ASSETS</b>	<b>11,023,100</b>	<b>99,743</b>	<b>11,122,843</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	41,107	41,107
Accounts payable	1,987	0	1,987
Interest payable	40,356	0	40,356
ISCAP warrants payable(Note 4)	1,138,000	0	1,138,000
ISCAP interest payable(Note 4)	8,936	0	8,936
ISCAP amortized premium	11,090	0	11,090
Deferred revenue:			
Succeeding year property tax	1,755,447	0	1,755,447
Other	4,603	1,362	5,965
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	220,000	0	220,000
Capital loan note payable	50,000	0	50,000
City note payable	11,452	0	11,452
Bus lease payable	7,608	0	7,608
Early retirement payable	18,681	0	18,681
Portion due after one year:			
General obligation bonds payable	4,875,000	0	4,875,000
Capital loan note payable	50,000	0	50,000
City note payable	76,156	0	76,156
Bus lease payable	16,135	0	16,135
Early retirement payable	57,472	0	57,472
<b>TOTAL LIABILITIES</b>	<b>8,342,923</b>	<b>42,469</b>	<b>8,385,392</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,342,819	73,042	2,415,861
Restricted for:			
Talented and gifted	32,070	0	32,070
Early intervention	1,092	0	1,092
Other special revenue purposes	66,961	0	66,961
Unrestricted	237,235	(15,768)	221,467
<b>TOTAL NET ASSETS</b>	<b>\$ 2,680,177</b>	<b>57,274</b>	<b>2,737,451</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,719,458	187,096	543,083	(989,279)	0
Special instruction	552,023	38,251	28,804	(484,968)	0
Other instruction	587,897	227,561	0	(360,336)	0
	<u>2,859,378</u>	<u>452,908</u>	<u>571,887</u>	<u>(1,834,583)</u>	<u>0</u>
Support services:					
Student services	92,128	0	0	(92,128)	0
Instructional staff services	115,735	0	0	(115,735)	0
Administration services	547,303	0	0	(547,303)	0
Operation and maintenance of plant services	374,297	0	0	(374,297)	0
Transportation services	250,705	0	0	(250,705)	0
	<u>1,380,168</u>	<u>0</u>	<u>0</u>	<u>(1,380,168)</u>	<u>0</u>
Non-instructional programs	4,004	0	0	(4,004)	0
	<u>775</u>	<u>0</u>	<u>0</u>	<u>(775)</u>	<u>0</u>
	<u>4,779</u>	<u>0</u>	<u>0</u>	<u>(4,779)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	65,112	0	0	(65,112)	0
Long-term debt:					
Interest and fiscal charges	249,900	0	0	(249,900)	0
AEA flowthrough	151,965	0	151,965	0	0
Depreciation(unallocated)*	93,289	0	0	(93,289)	0
	<u>560,266</u>	<u>0</u>	<u>151,965</u>	<u>(408,301)</u>	<u>0</u>
Total governmental activities	<u>4,804,591</u>	<u>452,908</u>	<u>723,852</u>	<u>(3,627,831)</u>	<u>0</u>
Business-Type activities:					
Non-instructional programs:					
Nutrition services	214,054	100,190	119,242	0	5,378
Day care services	90,415	82,793	5,500	0	(2,122)
Total business-type activities	<u>304,469</u>	<u>182,983</u>	<u>124,742</u>	<u>0</u>	<u>3,256</u>
Total	<u>\$ 5,109,060</u>	<u>635,891</u>	<u>848,594</u>	<u>(3,627,831)</u>	<u>3,256</u>
General Revenues:					
Local tax for:					
General purposes				\$ 1,414,258	0
Capital projects				97,328	0
Debt service				449,761	0
Local option sales and services tax				178,736	0
Unrestricted state grants				1,954,333	0
Unrestricted investment earnings				76,076	168
Gain on disposal of assets				11,423	0
Other revenue				52,204	0
Total general revenues				<u>4,234,119</u>	<u>168</u>
Changes in net assets before other financing sources(uses)				606,288	3,424
Other Financing Sources(uses):					
Loss on disposal of capital assets				0	(2,265)
Total other financing sources (uses)				<u>0</u>	<u>(2,265)</u>
Changes in net assets				606,288	1,159
Net assets beginning of year				2,073,889	56,115
Net assets end of year				<u>\$ 2,680,177</u>	<u>57,274</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

Exhibit C

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 1,138,848	0	0	1,138,848
Other	191,702	339,046	114,573	645,321
Receivables:				
Property tax:				
Delinquent	20,070	0	11,813	31,883
Succeeding year	1,071,896	0	683,551	1,755,447
Income surtax	192,570	0	0	192,570
Accounts	30	0	626	656
Accrued ISCAP interest (Note 4)	10,300	0	0	10,300
Prepaid Expense	0	0	1,933	1,933
Due from other governments	24,260	90,154	0	114,414
<b>TOTAL ASSETS</b>	<b>\$ 2,649,676</b>	<b>429,200</b>	<b>812,496</b>	<b>3,891,372</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,987	0	0	1,987
ISCAP warrants payable (Note 4)	1,138,000	0	0	1,138,000
ISCAP interest payable (Note 4)	8,936	0	0	8,936
ISCAP amortized premium	11,090	0	0	11,090
Deferred revenue:				
Succeeding year property tax	1,071,896	0	683,551	1,755,447
Income surtax	192,570	0	0	192,570
Other	4,603	0	0	4,603
<b>Total liabilities</b>	<b>2,429,082</b>	<b>0</b>	<b>683,551</b>	<b>3,112,633</b>
Fund balances:				
Reserved for:				
Debt Service	0	0	43,567	43,567
Talented and gifted	32,070	0	0	32,070
Early intervention	1,092	0	0	1,092
Unreserved:				
Undesignated:				
General	187,432	0	0	187,432
Capital projects	0	429,200	0	429,200
Management levy	0	0	(66,707)	(66,707)
Physical plant and equipment levy	0	0	85,124	85,124
Other special revenue purposes	0	0	66,961	66,961
<b>Total fund balances</b>	<b>220,594</b>	<b>429,200</b>	<b>128,945</b>	<b>778,739</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,649,676</b>	<b>429,200</b>	<b>812,496</b>	<b>3,891,372</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances of governmental funds (page 17)	\$ 778,739
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	7,131,635
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	192,570
Blending of Internal service funds to be reflected on an entity wide basis	93
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,356)
Long-term liabilities, including general obligation bonds, capital loan notes payable, city note payable, bus lease payable, and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,382,504)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 2,680,177</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,301,626	178,736	648,124	2,128,486
Tuition	225,347	0	0	225,347
Other	117,592	51,766	186,483	355,841
Intermediate sources	8,000	0	0	8,000
State sources	2,334,706	59,688	534	2,394,928
Federal sources	275,257	0	0	275,257
Total revenues	4,262,528	290,190	835,141	5,387,859
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,711,106	0	33,960	1,745,066
Special instruction	545,603	0	0	545,603
Other instruction	413,245	0	176,442	589,687
	2,669,954	0	210,402	2,880,356
Support services:				
Student services	92,128	0	0	92,128
Instructional staff services	115,735	0	0	115,735
Administration services	559,548	0	10,335	569,883
Operation and maintenance of plant services	332,442	0	38,865	371,307
Transportation services	289,599	24,379	13,856	327,834
	1,389,452	24,379	63,056	1,476,887
Non-instructional programs:				
Community service and other enterprise operations	862	0	0	862
Food service operations	0	0	775	775
	862	0	775	1,637
Other expenditures:				
Facilities acquisitions	0	88,874	53,911	142,785
Long-term debt:				
Principal	0	0	273,436	273,436
Interest and fiscal charges	0	0	251,568	251,568
AEA flowthrough	151,965	0	0	151,965
	151,965	88,874	578,915	819,754
Total expenditures	4,212,233	113,253	853,148	5,178,634
Excess (deficiency) of revenues over (under) expenditures	50,295	176,937	(18,007)	209,225
Other financing sources(uses):				
Proceeds from sale of real property	0	0	1	1
Proceeds from sale of equipment	11,422	0	0	11,422
Transfer in	0	0	76,827	76,827
Transfer out	0	0	(76,827)	(76,827)
Total other financing sources	11,422	0	1	11,423
Net change in fund balances	61,717	176,937	(18,006)	220,648
Fund balance beginning of year	158,877	252,263	146,951	558,091
Fund balance end of year	\$ 220,594	429,200	128,945	778,739

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 18) \$ 220,648

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 280,614	
Depreciation expense	(164,962)	
Loss on disposal of capital assets	<u>(53,165)</u>	62,487

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issued, as follows:

Issued	\$ 0	
Repaid	<u>273,436</u>	273,436

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,668

Net change in Internal service funds changed back against expendable made for self funded insurance at an entity wide basis.

93

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

11,597

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 20,582	
ISEBA Assessment	<u>15,777</u>	36,359

Changes in net assets of governmental activities(page 15) \$ 606,288

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities: Internal Service
	School Nutrition	Day Care	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 12,937	0	12,937	93
Accounts receivable	0	5,698	5,698	0
Inventories	8,066	0	8,066	0
Non-current assets:				
Capital assets, net of accumulated depreciation(Note 5)	73,042	0	73,042	0
TOTAL ASSETS	94,045	5,698	99,743	93
LIABILITIES				
Excess of warrants issued over bank balance	0	41,107	41,107	0
Deferred revenue:				
Other	1,362	0	1,362	0
TOTAL LIABILITIES	1,362	41,107	42,469	0
NET ASSETS				
Investment in capital assets, net of related debt	73,042	0	73,042	0
Unrestricted	19,641	(35,409)	(15,768)	93
Total net assets	\$ 92,683	(35,409)	57,274	93

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities: Internal Service
	School Nutrition	Day Care	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 100,190	82,793	182,983	12,893
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	100,365	69,178	169,543	0
Benefits	17,097	8,905	26,002	12,800
Services	1,833	0	1,833	0
Supplies	85,903	12,332	98,235	0
Depreciation	8,678	0	8,678	0
Other	178	0	178	0
TOTAL OPERATING EXPENSES	214,054	90,415	304,469	12,800
OPERATING LOSS	(113,864)	(7,622)	(121,486)	93
NON-OPERATING REVENUES:				
State sources	3,142	5,500	8,642	0
Federal sources	116,100	0	116,100	0
Interest income	168	0	168	0
TOTAL NON-OPERATING REVENUES	119,410	5,500	124,910	0
Changes in net assets before other financing uses	5,546	(2,122)	3,424	93
OTHER FINANCING USES				
Loss on disposal of capital assets	(2,265)	0	(2,265)	0
TOTAL OTHER FINANCING USES	(2,265)	0	(2,265)	0
Changes in net assets	3,281	(2,122)	1,159	93
Net assets beginning of year	89,402	(33,287)	56,115	0
Net assets end of year	\$ 92,683	(35,409)	57,274	93

SEE NOTES TO FINANCIAL STATEMENTS.



BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities: Internal Service
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 98,439	(4,405)	94,034	0
Cash received from miscellaneous operating activities	672	82,793	83,465	12,893
Cash payments to employees for services	(117,462)	(78,083)	(195,545)	(12,800)
Cash payments to suppliers for goods or services	(69,180)	(12,332)	(81,512)	0
Net cash provided by (used in) operating activities	(87,531)	(12,027)	(99,558)	93
Cash flows from non-capital financing activities:				
State grants received	3,142	5,500	8,642	0
Federal grants received	91,569	0	91,569	0
Net cash provided by non-capital financing activities	94,711	5,500	100,211	0
Cash flows from investing activities:				
Interest on investment	168	0	168	0
Net cash provided by investing activities	168	0	168	0
Net increase (decrease) in cash and cash equivalents	7,348	(6,527)	821	93
Cash and cash equivalents at beginning of year	5,589	(34,580)	(28,991)	0
Cash and cash equivalents at end of year	\$ 12,937	(41,107)	(28,170)	93
Reconciliation of operating loss to net cash used in operating activities:				
Operating income (loss)	\$ (113,864)	(7,622)	(121,486)	93
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	24,531	0	24,531	0
Depreciation	8,678	0	8,678	0
Increase in inventories	(5,797)	0	(5,797)	0
Increase in accounts receivable	0	(4,405)	(4,405)	0
Decrease in deferred revenue	(1,079)	0	(1,079)	0
Net cash used in operating activities	\$ (87,531)	(12,027)	(99,558)	93
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	\$ 12,937	(41,107)	(28,170)	93

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$24,531.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ <u>4,047</u>
LIABILITIES	
Due to other groups	\$ <u>4,047</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Boyer Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dunlap, Dow City and Arion, Iowa, and the predominate agricultural territory in Harrison, Crawford, Shelby and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Boyer Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Boyer Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Crawford, Shelby and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2006, the District had investments in Certificates of Deposit maturing over a year as follows:

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Certificates of Deposit	\$ 14,134
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**(3) Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	<u>\$ 76,827</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2006-07A	6/30/06	6/30/07	\$ 639,110	199	640,000	158
2005-06B	1/28/06	1/27/07	499,738	10,101	498,000	8,778
Total			<u>\$ 1,138,848</u>	<u>10,300</u>	<u>1,138,000</u>	<u>8,936</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06B	\$ 0	100,000	100,000	0
2005-06A	0	385,000	385,000	0
Total	<u>\$ 0</u>	<u>485,000</u>	<u>485,000</u>	<u>0</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2005-06B	4.500%	4.772%
2005-06A	3.500%	3.903%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,100	0	0	1,100
Construction in progress	2,650,226	50,015	0	2,700,241
Total capital assets not being depreciated	2,651,326	50,015	0	2,701,341
Capital assets being depreciated:				
Buildings	4,884,988	58,262	63,702	4,879,548
Land improvements	400,614	14,709	0	415,323
Machinery and equipment	902,194	157,628	44,302	1,015,520
Total capital assets being depreciated	6,187,796	230,599	108,004	6,310,391
Less accumulated depreciation for:				
Buildings	736,009	86,541	10,537	812,013
Land improvements	314,514	6,748	0	321,262
Machinery and equipment	719,451	71,673	44,302	746,822
Total accumulated depreciation	1,769,974	164,962	54,839	1,880,097
Total capital assets being depreciated, net	4,417,822	65,637	53,165	4,430,294
Governmental activities capital assets, net	\$ 7,069,148	115,652	53,165	7,131,635
Business-type activities:				
Machinery and equipment	\$ 165,737	0	8,773	156,964
Less accumulated depreciation	81,752	8,678	6,508	83,922
Business-type activities capital assets, net	\$ 83,985	(8,678)	2,265	73,042

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 7,843
Special	6,420
Other	1,216
Support services:	
Administration	1,396
Operation and maintenance of plant	2,990
Transportation	48,666
Non-Instruction	3,142
	<u>71,673</u>
Unallocated depreciation	<u>93,289</u>
Total governmental activities depreciation expense	<u>\$ 164,962</u>
Business-type activities:	
Food services	\$ 8,678
Total business-type activities depreciation expense	<u>\$ 8,678</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 5,300,000	0	205,000	5,095,000	220,000
Capital Loan Note	150,000	0	50,000	100,000	50,000
City Note	98,726	0	11,118	87,608	11,452
Bus Lease	31,061	0	7,318	23,743	7,608
Early Retirement	96,735	0	20,582	76,153	18,681
Total	<u>\$ 5,676,522</u>	<u>0</u>	<u>294,018</u>	<u>5,382,504</u>	<u>307,741</u>

#### Early Retirement

The District did offer a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is continued health insurance coverage paid by the District equal to the insurance rate at the time of the employee's retirement for a maximum of seven years. Early retirement benefits paid during the year ended June 30, 2006, totaled \$20,582. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue of July 1, 2002				
	Interest Rates		Principal	Interest	Total
2007	4.00 %	\$	220,000	234,378	454,378
2008	4.00-4.20		230,000	225,478	455,478
2009	4.20		240,000	215,828	455,828
2010	5.00		250,000	205,143	455,143
2011	5.00		265,000	192,518	457,518
2012	5.00		275,000	179,143	454,143
2013	4.25-4.35		290,000	165,687	455,687
2014	4.35-4.45		300,000	153,035	453,035
2015	4.45-4.50		315,000	139,649	454,649
2016	4.50-4.55		330,000	125,288	455,288
2017	4.55-4.65		350,000	110,087	460,087
2018	4.65-4.75		365,000	93,783	458,783
2019	4.75-4.80		385,000	76,298	461,298
2020	4.80-4.85		405,000	57,626	462,626
2021	4.85-4.90		425,000	37,790	462,790
2022	4.90-4.95		450,000	16,650	466,650
Total			\$ 5,095,000	2,228,381	7,323,381

#### Capital Loan Notes Payable

During the year ended June 30, 2005 the District sold capital loan notes to pay for additional construction costs. Details of the District's June 30, 2006 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note of June 1, 2005				
	Interest Rates		Principal	Interest	Total
2007	2.85 %	\$	50,000	2,850	52,850
2008	2.85		50,000	1,425	51,425
Total			\$ 100,000	4,275	104,275

#### Bus Lease Payable

Details of the District's June 30, 2006 bus lease indebtedness are as follows:

Year Ending June 30,	Lease of November 19, 2003				
	Interest Rates		Principal	Interest	Total
2007	3.97 %	\$	7,608	943	8,551
2008	3.97		7,910	641	8,551
2009	3.97		8,225	326	8,551
Total			\$ 23,743	1,910	25,653

#### City Note Payable

During the year ended June 30, 2003 the District entered into an agreement with the City of Dunlap for utility relocation.

Details of the District's June 30, 2006 city note indebtedness are as follows:

Year Ending June 30,	Note of June 16, 2003				
	Interest Rates	Principal	Interest	Total	
2007	3.00 %	\$ 11,452	2,628	14,080	
2008	3.00	11,795	2,285	14,080	
2009	3.00	12,149	1,931	14,080	
2010	3.00	12,514	1,566	14,080	
2011	3.00	12,889	1,191	14,080	
2012	3.00	13,276	804	14,080	
2013	3.00	13,533	547	14,080	
Total		\$ 87,608	10,952	98,560	

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$150,395, \$151,815 and \$153,384 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Boyer Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$151,965 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balance/Net Assets**

The Special Revenue - Management Fund had a deficit undesignated fund balance of \$66,707 at June 30, 2006. The Enterprise - Day Care Fund had deficit net assets of \$35,409 at June 30, 2006.

**(11) Construction Commitment**

The District has entered into various contracts totaling \$2,859,256 for the renovation of the school. As of June 30, 2006, costs of \$2,700,241 had been incurred against the contracts. The balance of \$159,015 remaining at June 30, 2006 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type	Actual	Original	Final	
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 2,709,674	183,151	2,892,825	3,246,894	3,246,894	(354,069)
Intermediate sources	8,000	0	8,000	2,500	2,500	5,500
State sources	2,394,928	8,642	2,403,570	2,762,909	2,762,909	(359,339)
Federal sources	275,257	116,100	391,357	992,000	992,000	(600,643)
Total revenues	5,387,859	307,893	5,695,752	7,004,303	7,004,303	(1,308,551)
Expenditures:						
Instruction	2,880,356	0	2,880,356	3,356,000	3,356,000	475,644
Support services	1,476,887	0	1,476,887	1,777,800	1,777,800	300,913
Non-instructional programs	1,637	304,469	306,106	226,748	376,748	70,642
Other expenditures	819,754	0	819,754	1,920,082	1,920,082	1,100,328
Total expenditures	5,178,634	304,469	5,483,103	7,280,630	7,430,630	1,947,527
Excess(deficiency) of revenues over(under) expenditures	209,225	3,424	212,649	(276,327)	(426,327)	(638,976)
Other financing sources(uses), net	11,423	(2,265)	9,158	0	0	(9,158)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	220,648	1,159	221,807	(276,327)	(426,327)	(648,134)
Balance beginning of year	558,091	56,115	614,206	354,629	354,629	(259,577)
Balance end of year	\$ 778,739	57,274	836,013	78,302	(71,698)	(907,711)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$150,000.

OTHER SUPPLEMENTARY INFORMATION

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds		
ASSETS							
Cash and pooled investments	\$ (70,497)	49,017	83,335	17,318	79,173	35,400	114,573
Receivables:							
Property tax:							
Delinquent	1,857	0	1,789	0	3,646	8,167	11,813
Succeeding year	175,000	0	103,473	0	278,473	405,078	683,551
Accounts	0	626	0	0	626	0	626
Prepaid Expenses	1,933	0	0	0	1,933	0	1,933
TOTAL ASSETS	\$ 108,293	49,643	188,597	17,318	363,851	448,645	812,496
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 175,000	0	103,473	0	278,473	405,078	683,551
	175,000	0	103,473	0	278,473	405,078	683,551
Fund equity:							
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	43,567	43,567
Unreserved:							
Undesignated	(66,707)	49,643	85,124	17,318	85,378	0	85,378
Total fund balances	(66,707)	49,643	85,124	17,318	85,378	43,567	128,945
TOTAL LIABILITIES AND FUND EQUITY	\$ 108,293	49,643	188,597	17,318	363,851	448,645	812,496

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service
REVENUES:						
Local sources:						
Local tax	\$ 101,035	0	97,328	0	198,363	449,761
Other	5,098	169,945	9,101	2,339	186,483	0
State sources	83	0	80	0	163	371
TOTAL REVENUES	106,216	169,945	106,509	2,339	385,009	450,132
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	32,960	0	1,000	0	33,960	0
Other instruction	0	169,842	0	6,600	176,442	0
Support services:						
Administration services	10,335	0	0	0	10,335	0
Operation and maintenance of plant services	38,865	0	0	0	38,865	0
Student transportation	13,856	0	0	0	13,856	0
Non-instructional programs:						
Food service operations	775	0	0	0	775	0
Other expenditures:						
Facilities acquisition	0	0	53,911	0	53,911	0
Long-term debt:						
Principal	0	0	0	0	0	273,436
Interest and fiscal charges	0	0	0	0	0	251,568
TOTAL EXPENDITURES	96,791	169,842	54,911	6,600	328,144	525,004
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,425	103	51,598	(4,261)	56,865	(74,872)
OTHER FINANCING SOURCES (USES):						
Transfer in	0	0	0	0	0	76,827
Transfer out	0	0	(76,827)	0	(76,827)	0
Proceeds of sale of property	0	0	1	0	1	0
	0	0	(76,826)	0	(76,826)	76,827
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	9,425	103	(25,228)	(4,261)	(19,961)	1,955
FUND BALANCE BEGINNING OF YEAR	(76,132)	49,540	110,352	21,579	105,339	41,612
FUND BALANCE END OF YEAR	\$ (66,707)	49,643	85,124	17,318	85,378	43,567

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	(3,133)	6,063	12,180	(9,250)
AP Testing	49	519	519	49
Drama	1,123	698	792	1,029
Speech	(23)	0	0	(23)
Cheerleaders	2,459	4,929	6,122	1,266
Vocal Music	3,196	8,338	6,359	5,175
Instrumental Music	7,533	6,373	4,753	9,153
Science Club	633	627	769	491
Entrepreneurship	4,172	1,908	4,690	1,390
FFA	1,406	5,055	5,773	688
FCCLA	2,894	2,206	5,034	66
FTA	57	0	0	57
Foreign Language	419	481	481	419
Library Club	15	1,170	1,170	15
National Honor Society	3,025	148	354	2,819
HS Student Council	3,758	11,097	11,933	2,922
Industrial Arts Club	21	0	0	21
Class of 2008	(2)	49	45	2
Class of 2007	391	23,681	17,681	6,391
Class of 2006	3,773	679	2,564	1,888
Class of 2005	841	0	511	330
Drill Team	5,390	9,788	4,372	10,806
General Athletics	2,752	39,835	40,711	1,876
Baseball	(27)	696	669	0
Softball	0	1,025	1,025	0
Football	0	456	99	357
Elem Student Council	4,529	10,111	10,241	4,399
Memorial	1,819	0	0	1,819
Special Projects	18	1,393	1,326	85
Elem Music	1,364	1,077	1,006	1,435
MS Student Council	1,088	11,300	8,420	3,968
Resale Account	0	10,353	10,353	0
Volleyball	0	473	473	0
Booster fund balance	0	9,417	9,417	0
Total	\$ 49,540	169,945	169,842	49,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,552	33,926	32,431	4,047
LIABILITIES				
Due to other groups	\$ 2,552	33,926	32,431	4,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,128,486	2,205,739	1,947,919	1,825,726
Tuition	225,347	224,800	411,056	220,335
Other	355,841	363,508	643,508	515,869
Intermediate sources	8,000	8,000	2,338	0
State sources	2,394,928	2,221,872	2,120,111	2,266,362
Federal sources	275,257	1,085,779	767,911	266,366
Total	\$ 5,387,859	6,109,698	5,892,843	5,094,658
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,745,066	1,747,922	1,787,725	1,776,412
Special instruction	545,603	775,501	842,670	596,114
Other instruction	589,687	483,699	475,387	396,801
Support services:				
Student services	92,128	76,517	110,353	169,627
Instructional staff services	115,735	96,627	122,846	134,005
Administration services	569,883	735,123	535,953	514,698
Operation and maintenance of plant services	371,307	394,502	527,039	381,341
Transportation services	327,834	456,069	620,940	221,791
Other support services	0	4,927	0	0
Non-instructional programs	1,637	2,270	1,437	1,366
Other expenditures:				
Facilities acquisitions	142,785	1,106,289	4,877,188	1,700,005
Long-term debt:				
Principal	273,436	267,832	223,180	200,000
Interest and fiscal charges	251,568	259,056	260,177	220,215
AEA flow-through	151,965	151,018	153,254	165,231
Total	\$ 5,178,634	6,557,352	10,538,149	6,477,606

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

#### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Boyer Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boyer Valley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyer Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boyer Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Boyer Valley Community School District and other parties to whom Boyer Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Boyer Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 21, 2006

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response accepted.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Dunham, Board Member Owner of Dunham Hardwoods	Supplies	\$448
Pat Putnam, Board Member Owner of Putnam Auto	Auto work	\$500

In accordance with Chapter 279.7A of the code of Iowa, the above transactions do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition - The District had a deficit undesignated fund balance of \$66,707 in the Special Revenue - Management Fund. The District also had deficit net assets of \$35,409 in the Enterprise - Day Care Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will review these funds for prior expenditures to determine if future expenditures will be similar and also review possible increase in revenues. We will prepare line item budgets for these funds and continue to monitor them, in an effort to eliminate the deficit fund balances.

Conclusion - Response accepted.